

October 16, 2003

To the Honorable Mayor and Members of City Council
of the City of Sunnyvale
Sunnyvale, California

We have audited the basic financial statements of the City of Sunnyvale (City) for the year ended June 30, 2003, and have issued our report thereon dated October 16, 2003. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards and Government Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the basic financial statements. The City adopted Statements of the Governmental Accounting Standards Board No. 39, *Determining Whether Certain Organizations are Component Units*; and, No. 41, *Budgetary Comparison Schedules – Perspective Differences*. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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To the Honorable Mayor and Members of City Council
of the City of Sunnyvale, Continued

Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Management's estimates are based on certain facts and circumstances at the time. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that it was reasonable in relation to the basic financial statements taken as a whole.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the City that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have significant effect on the City's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

October 16, 2003

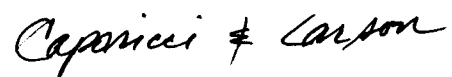
To the Honorable Mayor and Members of City Council
of the City of Sunnyvale, Continued

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing the City's audit.

This information is intended solely for the use of the Mayor and members of City Council and management of the City of Sunnyvale and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Very truly yours,

A handwritten signature in cursive script that reads "Caporicci & Larson".

Caporicci & Larson, CPAs
Oakland, California